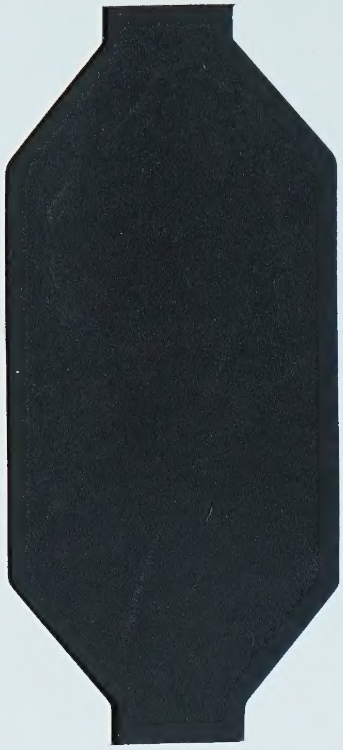
Tex-made
Caldwell
DŌMIL
Penmans

Dominion Textile Company Limited

Annual Report 1966



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Two Years' Comparative Highlights

In thousands of dollars	1965	1966
Sales	$161,601	**$178,324**
Income from operations	11,517	**11,610**
Revenue from investments	514	**891**
Income taxes	6,101	**5,119**
Consolidated net earnings	5,910	**7,346**
Net worth	60,335	**79,939**
Long term debt	37,450	**32,000**
Total current assets	70,237	**95,296**
Total current liabilities	20,377	**45,383**
Working capital	49,860	**49,913**
Additions to fixed assets	19,765	**31,139**
Provision for depreciation	7,796	**8,713**
Per common share		
Income taxes	2.36	**1.97**
Consolidated net earnings	2.25	**2.79**
Dividends	1.20	**1.25**
Net worth	22.82	**30.26**

A Decade of Progress

This 61st annual report

gives a picture of today's dynamic Dominion Textile Company.

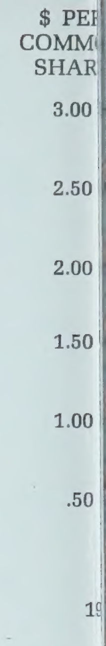
When compared to the company of ten years ago,

it will bring you some concept of a much larger, more complex

and diversified operation,

carried on in modern well-equipped properties

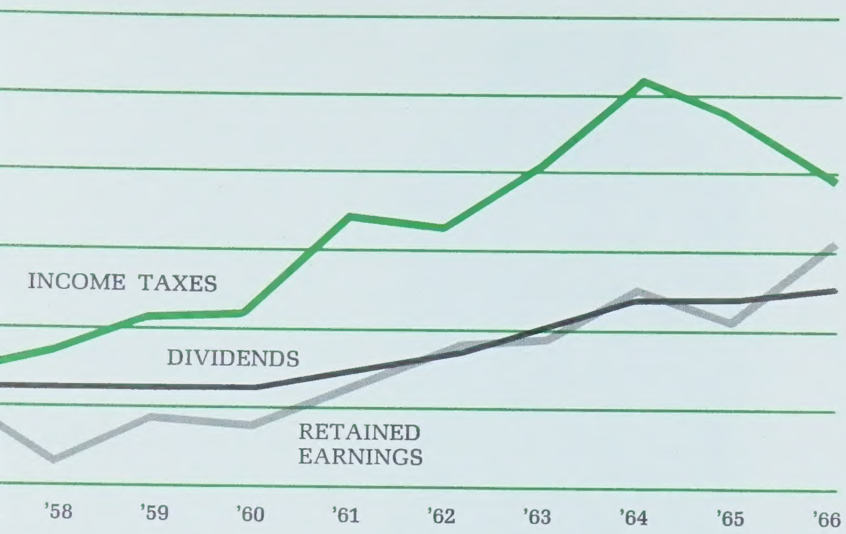
and operated on the most up-to-date lines.



Ten-Year Summary

In thousands of dollars	1957	1958	1959
Sales	$106,991	$96,125	$99,241
Income from operations	4,515	3,863	5,123
Revenue from investments	557	549	455
Income taxes	1,859	2,241	2,765
Consolidated net earnings	3,159	2,153	2,797
Net worth	45,264	46,677	47,960
Long term debt	12,891	12,441	9,480
Total current assets	55,824	50,117	47,874
Total current liabilities	20,330	16,335	12,627
Working capital	35,494	33,781	35,247
Additions to fixed assets	7,202	8,279	1,845
Provision for depreciation	4,957	5,312	4,517
Per common share			
Income taxes	.72	.87	1.07
Consolidated net earnings	1.18	.79	1.03
Dividends	.60	.60	.60
Net worth	16.96	17.50	17.85

Figures for 1966 are after transfer of reserves for inventories and marketable securities and include Penmans Limited



1960	1961	1962	1963	1964	1965	1966
$97,425	$103,185	$124,224	$137,324	$151,585	$161,601	$178,324
5,049	7,565	8,088	9,887	12,668	11,517	11,610
518	500	481	494	451	514	891
2,838	4,444	4,201	5,292	6,709	6,101	5,119
2,701	3,609	4,357	5,053	6,369	5,910	7,346
48,914	50,210	52,284	54,514	57,715	60,335	79,939
9,064	8,411	7,940	6,350	5,900	37,450	32,000
51,581	54,540	62,592	57,471	60,908	70,237	95,296
17,646	18,984	26,126	21,173	24,353	20,377	45,383
33,935	35,556	36,466	36,298	36,555	49,860	49,913
4,796	3,816	5,900	7,104	10,564	19,765	31,139
4,250	4,367	4,830	5,308	7,776	7,796	8,713
1.10	1.72	1.63	2.05	2.60	2.36	1.97
1.00	1.35	1.65	1.92	2.43	2.25	2.79
.60	.70	.80	1.00	1.20	1.20	1.25
18.28	18.87	19.69	20.59	21.80	22.82	30.26

Directors' Report to the Shareholders

Perspective and Prospect

Your company's position in the economic life of Canada today is typical of the modern, enthusiastically-alive enterprises that are part of the industrial present. Its achievement of that position is not so typical.

A decade ago the existence of the Canadian cotton textile industry was in jeopardy. Records of that period show a pattern of declining output, falling employment, losses or slender profit margins and, all too frequently, plant shutdowns. Keeping the plants and the techniques modern and competitive was a question of survival. It was the course which the company had been following ever since machinery again became available following the end of the war in 1945.

Canada has just completed five years of unprecedented economic rise. The prospects continue to appear encouraging with the proviso, so clearly spelled out by the Economic Council and by others, that this nation must remain competitive. To remain competitive will be the most serious problem that your company and industry in general will have to face over the next few years. The Federal Budget of March 29th, 1966 presents additional immediate difficulties and problems to your company but its underlying policy of containment should best serve the long-term interests of the country's economy. The objective of this budget will be best met if it receives the full understanding, appreciation and restraint of the general public, of industry and of the labour force.

The overall volume of imports of cotton piece goods and products from the Asiatic and other low-cost areas continues to increase. The Government, however, has made some attempt to contain these increases in many areas. The burgeoning development in man-made fibre and cotton blends must also have positive attention from government otherwise the benefits of the most spectacular advance in textiles in recent years will be largely lost to Canada.

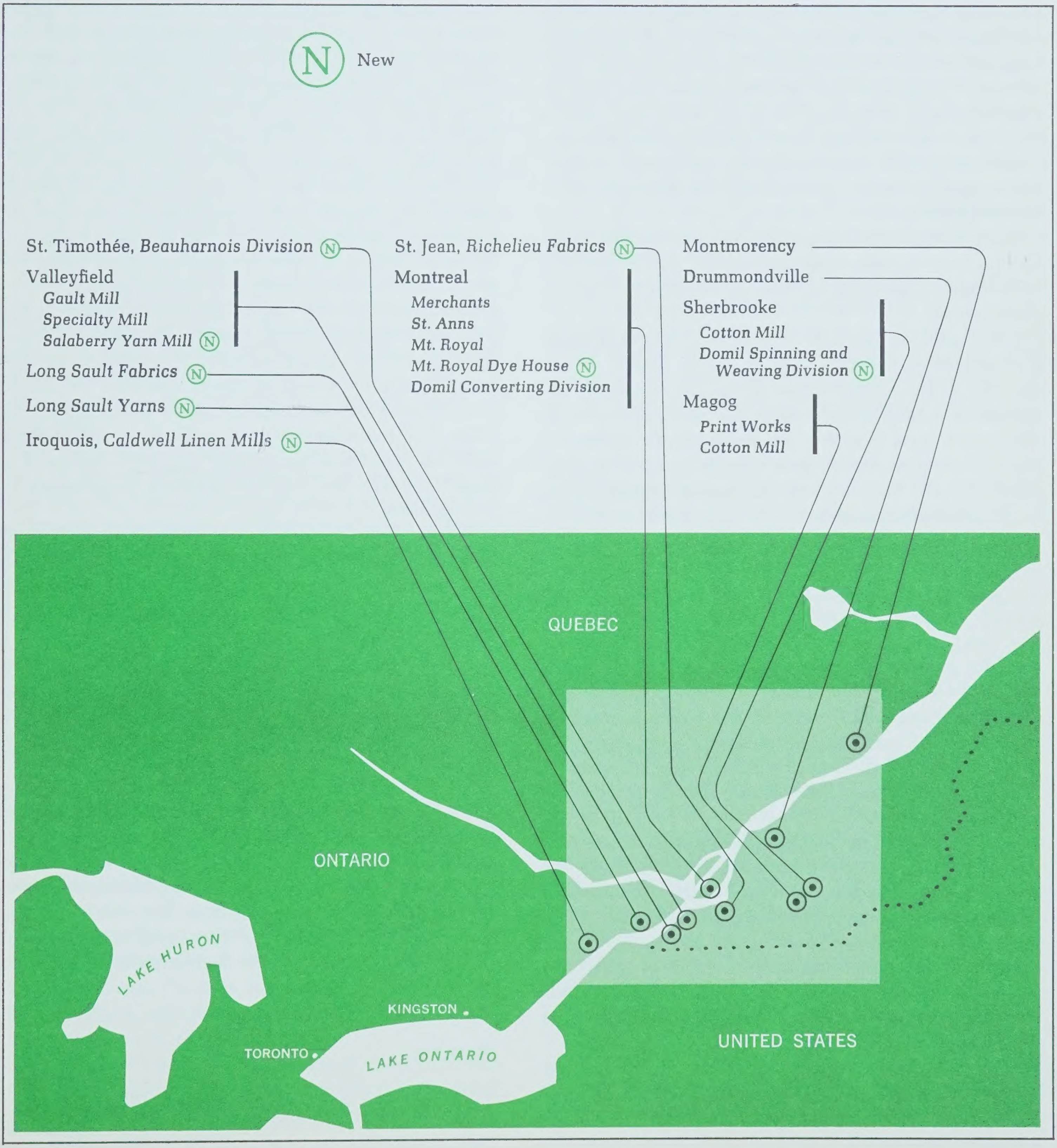
Because of the capital investment required, industrial planning must be undertaken on a long-range basis. Yet, in a steadily changing world, that planning must be flexible enough to permit vital readjustments. The quality, speed and performance of new equipment available to the textile industry has changed greatly in the postwar period and even more rapidly in the past ten years.

More now than at any other time in our history do we need clear guidelines from government so that we and others may plan, with assurance, the high capital investment needed for continuing progress.

Changes in equipment and the need for flexibility of planning, have imposed almost continuous investment decisions on your company. In recent years many of these decisions have resulted in completely new manufacturing facilities, whereas in prior years the immediate needs were for renovation of existing plants and equipment.

The change in the configuration of the Dominion Textile Company in the past 10 years has been very substantial.

Principal Plant Locations



Within this period, and including completion of projects now under construction, 65% of all spinning equipment (spindles being the industry's measure of a company's size) will be new or modernized. Of twenty plants, eight covering an expanse of 2,000,000 square feet will be completely new from the ground up, while eight others have been very materially modernized. The cost is heavy —$100,000,000 for the period under discussion, with an additional $22,000,000 projected for the fiscal year ending March 31st, 1967.

The earnings performance over recent years has justified the large capital commitments and, should stability be assured, a continued advance can be planned for the years ahead.

Total assets in the past decade have increased from $137,000,000 to $262,000,000. In other words, a net amount of some $125,000,000 of capital loaned by investors or generated internally has been expended in this period alone to enable the company to maintain its ability to compete under present North American trading conditions and thus continue to play its important role in providing employment.

Expressed in terms of providing jobs, these capital cost increases are even more striking. In 1957 the cost of machinery, equipment and buildings per worker was roughly $29,000. This was the price of the "tools" for one plant job. Today it has risen to $52,000. This is partially due to rising costs of capital goods in which taxes have played a major role.

A further important result of this policy is reflected in the trend of remuneration of labour. Sharp increases in average hourly earnings of your company's employees have been possible over this decade of industrial growth and advance.

But stability, of course, is the question mark. The warnings of the Economic Council, and latterly of the Bank of Canada, in this respect show little indication of having reached deeply into the consciousness of the general public. At this moment the most serious and imminent danger to continued economic prosperity in Canada is that of rising costs which could hog-tie this country while its industry is trying to compete both at home and abroad.

It has been commonplace to consider that prices rise because "businessmen" or "industry" simply raise them arbitrarily. This facile explanation ignores two basic pressures that operate on prices: the cost of labour and the cost of government. While increasing competition from the whole world operates to hold a lid on prices, these two interior forces press upward, with little evidence of control, to squeeze profit margins on which the vitality of every industry depends. Increased productivity is urged as the industry's way out of the squeeze and your company is an example of what long-continued efforts in this direction can effect. However, the attitude that business alone must and can effect the economies and efficiencies is a dangerous, unhealthy one since the sharpened edge of productivity can be and is being continually dulled by increasingly heavy costs of labour and taxes. At some point, Canadian industry's ability to stay competitive (and pay wages and taxes) cannot but be drastically damaged if these factors are not harmonized. Both labour and government must recognize, in their own long-term interests and for the welfare of Canada, that the powerful downward pressure of foreign competition does not weigh alone on industry or the corporation, but represents an equally powerful limitation to wage demands and to the spending programmes of governments.

Social advances are accepted as vital to the development of any modern nation and it is accepted that this will involve government spending, which means taxes. More and better education, for example, is a must in today's complex technological world.

There is no discrediting Canada's ambitions for all its citizens to live better and learn more. But the reality of financing our ambitions is that the industries and businesses of this country are the primary source of tax funds. They provide not only corporate taxes but the payrolls from which the increasingly large pool of personal income taxes are drawn. They can continue to do this only if all Canadians — the public, the various governments, and the leaders of labour — recognize this, foresee the certainty of rising costs clashing with strong foreign competition, and accept as fact that social welfare ambitions, wage ambitions, taxes and industrial health are all tied together in one national economic package.

Results

Sales for the year ended March 31st, 1966 were $178,323,982. These figures include Penmans Limited, consolidated for the first time. On a comparative basis,

excluding Penmans, the increase of just over $4,000,000 is approximately 2.7% over the level of last year.

Consolidated net earnings of $7,345,837 are sharply higher by $1,435,812 than those of last year. This increase of 24.3% is due in part to the tax-free earnings provided by Richelieu Fabrics Limited. The consolidated net earnings are the equivalent, after providing for dividends on the preference stock, of $2.79 per share of common stock against $2.25 per share of common stock for the year ended March 31st, 1965 and indicate a return on the sales dollar of 4.1% compared to 3.7% last year and 4.2% for the year ended March 31st, 1964.

Regular quarterly dividends of $1.75 per share were paid on the 7% cumulative preference stock. A dividend of 25¢ per share was paid on the common stock for each of the first three quarters of the year; a final year end dividend of 50¢ brought the total dividend per share of common stock to $1.25, compared to $1.20 for the previous year.

The book value or net worth per share of common stock at the end of the year was $30.26, the increase of $7.44 over the previous year end value being attributable principally to the transfer to retained earnings of inventory and marketable securities reserves together with the inclusion of Penmans Limited.

Investment Reserve

For many years, profits and losses from the sale of marketable securities have been transferred to this reserve. In view of the spread between market value and cost of marketable securities, it was decided to transfer this reserve to earnings employed in the business.

Markets

The most outstanding development during the year was the definite establishment of the "Durable Press" finish as a prime market factor. The sharply increasing demand at the retail level for such finishes has drastically altered the patterns of fabrication and fibre content. The final overall effect on the usage of 100% cotton fabrics is yet to be determined. There is, however, no doubt but that "Durable Press" will accelerate the use of some of the man-made fibres in various end-uses.

Our grey manufacturing operations at the Domil and Long Sault plants and our new Beauharnois finishing facilities provide us with opportunities to take full advantage of this development.

The textile market in general has been very active and firm. We have experienced substantial increases in volume in the household cotton and sales yarn areas. Although we have maintained our volume, both converted fabrics and fabrics in the grey state remain under increasing pressure from imports from low-cost areas.

In the latter part of the year, gains were made in the automotive fabric field and we look forward to further increases in the coming year.

Our export sales were somewhat higher than last year due to special, and probably non-recurring, market situations in other countries.

In November, 1965, we were notified by the Director of Investigation and Research under the Combines Investigation Act that an inquiry was being instituted under Section 10 of the Act into the man-made fibre aspect of our operations. A subsidiary, Domil Limited, and several other firms are also included in this inquiry.

Plants

Richelieu Fabrics Limited, St. Jean, Quebec

We are pleased indeed with the progress made by this subsidiary. Well within the year from the time this plant first started production it had met, and is now bettering, the projected target of cost and productivity. It is located in St. Jean, a designated area, and two more tax-free years remain. This investment has fully measured up to our expectations.

Beauharnois Division, St. Timothée, Quebec

This is a 500,000 square foot bleaching, dyeing and finishing plant located on the Beauharnois Canal about 4 miles from Valleyfield, especially designed and equipped to handle today's more sophisticated fabrics — man-made fibres blended with cotton — as well as 100% cotton fabrics. It has double the capacity of and replaces the old bleaching, dyeing and finishing plant which was part of the original Valleyfield complex.

By reason of the nature of the fabrics this plant will be handling plus the fact that much of its equipment is especially designed and built for such fabrics, we must expect start-up problems and possibly extraordinary start-up expenses. The near $20,000,000 project will commence operation in June 1966 and we hope will be operating on standard by the end of the current fiscal year.

Long Sault Division, Long Sault, Ontario

Despite some difficulties with the construction industry, this Division is running just a few weeks behind schedule.

At Long Sault we will have facilities especially designed not only to spin yarns made from 100% cotton, but to spin yarns and weave fabrics comprised of an intimate blend of cotton with any variety of man-made fibres. We expect the Division to be in substantial production by September of this year, with the hope that it will be on target by the end of our fiscal year, March 31st, 1967.

The type of yarn we will be spinning and the fabrics we will be weaving at Long Sault, as well as the bleaching, dyeing and finishing of these fabrics at the new Beauharnois Division, call for specialized types of equipment as well as specialized technology and "know-how". The "know-how" has been gained through our subsidiary, Domil Limited, which has long concentrated on the handling of man-made fibres.

As the new Beauharnois and Long Sault properties come into efficient operation, we can look forward to their contribution of additional volume and earnings.

Raw Cotton

As of August 1st, 1966 the United States Department of Agriculture will take ownership of the largest surplus of American grown cotton in the long history of that country's farm loan programme. In an attempt to find a solution to this increasing problem, the acreage that may be planted to cotton this coming year has been drastically cut to the extent that a crop reduction of approximately 30% is being forecast.

Inducements are being offered to increase the consumption of American grown cotton both at home and abroad. This should have a 'bearish' effect on the price of cotton grown in other countries.

During the year, your company made a substantial purchase of raw cotton from Russia at a cost of over $12,500,000 Canadian. Through experimentation in prior years, we had found Russian grown cotton to be very suitable for certain products. Further, it seemed reasonable to us that in view of Russia's very large purchase of Canadian wheat, some attempt to narrow the imbalance of trade was demanded. Provided quality and delivery continue to prove satisfactory and price competitive with American export cotton, we are prepared to consider additional purchases in the future.

Inventory Reserve

The tax-paid reserve for raw cotton and the raw cotton content of in-process and finished goods has been transferred to earnings employed in the business. Wide fluctuations in the price of raw cotton have now been fairly well eliminated by the United States Government programme for cotton price control, a programme that has now been placed on a four-year basis.

Labour

In the very early days of March our Drummondville Plant was closed due to a concerted work slow-down and later in the month was struck. Immediately following the close of the fiscal year under review, the strike spread with the result that up to the date of this report going to press, May 4th, 1966, the following plants have been completely closed: Drummondville, Montmorency, Sherbrooke Cotton Mill, the two Domil spinning and weaving plants in Sherbrooke, also Magog Cotton Mill and Magog Print Works in Magog, Quebec.

Our labour contract with the Syndicates affiliated with the Confederation of National Trade Unions expired February 15th last and to date it has been impossible to reach a settlement.

The loss of production and shipments from those plants to date has naturally had a damaging effect on the current year's earnings which will grow as the strike is prolonged.

We have just recently reached agreement, without any interruption of work, and have signed a 3-year contract with the United Textile Workers of America, affiliated with the Quebec Labour Federation, covering some 3,300 employees in plants located in Montreal and Valleyfield.

The employees of the mills now on strike have been made aware of the terms of this settlement.

Penmans Limited

As this company has been owned by Dominion Textile for the full fiscal year, its figures have been consolidated with those of the parent company and its other Canadian subsidiaries.

Both sales and earnings showed slight improvement over the previous year. With a view to improving earnings, work is proceeding to up-date the company's marketing organization, as well as with some reorientation and modernization of manufacturing facilities.

Bluenose Netting & Twine Ltd.

Drummondville, Que.

From just prior to the beginning of the last war until the late 1950's, the Drummondville netting company, together with its wholly-owned subsidiary in Dunnville, Ontario, was the Canadian fishing industry's main domestic source of supply for nets and netting. During the war, it was the only source and also produced many thousands of camouflage nets for the armed forces.

As soon as Japanese technology caught up with that of Bluenose — there being no tariff or quantitative control to protect the Canadian industry — the war of attrition set in. In 1963 the plant at Dunnville was liquidated and its employees were trained for other industries.

After two years of concentrated effort, Japanese competition took over the substantial export market we had developed and also by their concentration on the few volume items in the Canadian market, made the Canadian operation impracticable. As a consequence, Bluenose Netting & Twine Ltd. has closed; the inventory, the trade marks and most of the machinery have been sold. With the help and cooperation of the union, the company's 145 employees were either absorbed as replacements in our adjacent Drummondville Division operation, or obtained employment in other industries.

Centennial Scholarships

In order to mark Canada's Centennial in what is believed to be a useful and constructive way, the company is offering twelve university entrance scholarships in each of the years 1966 and 1967. Tenable at any recognized Canadian university, these scholarships are open to children or wards of company employees as well as to young men and women resident in the regions where the company has plants. The scholarships may be held for up to five years depending on the length of the candidate's course and are valued at from $400 to $1200 each per year, depending on need. Selection of candidates and the amounts awarded will be solely in the hands of an independent Selection Committee comprised of senior educationists from universities in the Province of Quebec.

Expo '67

The company will be playing its part in the Universal and International Exhibition through its individual participation in the Pavilion of Quebec Industries and, additionally, through the display of the Canadian Textiles Institute.

Customers and Suppliers

We express to our valued customers our thanks for their continued recognition of our products. We keep their best interests in mind in our work and planning.

We also wish to record the whole-hearted assistance and support we have received from our many suppliers over the past year.

Directors

Mr. Harry W. Thorp, who has been a member of the Board since September 19th, 1956, has indicated that he wishes to reduce his activities and will not stand for re-election at the annual meeting. Mr. Thorp brought the benefit of his broad experience and lively interest to the guidance of your company's affairs and his contribution is gratefully acknowledged.

Employees

People will always be the key to effectiveness. We express to all employees, men and women, in all branches and at all levels, our appreciation for their efforts and efficient service to the company.

Submitted on behalf of the Board,

G. B. GORDON
Chairman of the Board

F. R. DANIELS
President

Montreal, Que.,
May 4th, 1966.

Consolidated Statement of Income

FOR THE YEAR ENDED MARCH 31st 1966

	1966	1965
Sales	$178,323,982	$161,601,085
Operating expenses, including interest on long term debt of $2,049,643 in 1966 and $231,930 in 1965 (Notes 6 and 7)	166,713,759	150,084,412
Income from operations	11,610,223	11,516,673
Revenue from investments	816,682	514,476
Dividend from an affiliated company	74,812	—
	12,501,717	12,031,149
Income taxes (Note 6)	5,119,273	6,100,944
	7,382,444	5,930,205
Minority interest in net earnings of a subsidiary	36,607	20,180
Consolidated net earnings	$ 7,345,837	$ 5,910,025

Consolidated Statement of Earnings Employed in the Business

FOR THE YEAR ENDED MARCH 31st 1966

	1966	1965
Earnings employed in the business at the beginning of year	$38,950,078	$36,235,507
ADD:		
Transfer of fixed inventory reserve	8,645,770	—
Transfer of reserve for marketable securities	5,110,783	—
	52,706,631	36,235,507
Consolidated net earnings for year	7,345,837	5,910,025
	60,052,468	42,145,532
Profit on sales of fixed assets and investments, less provision for losses	1,521,981	—
	61,574,449	42,145,532
DEDUCT:		
Dividends on preference shares	97,804	97,804
Dividends on common shares	3,213,762	3,097,650
	3,311,566	3,195,454
Earnings employed in the business at end of year	$58,262,883	$38,950,078

The accompanying notes are an integral part of the financial statements

Consolidated Statement of Source and Application of Funds

FOR THE YEAR ENDED MARCH 31st 1966

	1966	1965
FUNDS PROVIDED DURING THE YEAR		
Penmans Limited working capital — accounts consolidated for the first time	$ 8,954,272	$ —
Consolidated net earnings	7,345,837	5,910,025
Non cash items		
Depreciation	8,712,977	7,795,688
Deferred income taxes	713,724	—
Proceeds from issue of $5\frac{5}{8}\%$ Sinking Fund Debentures, Series A	—	31,760,000
Sale of fixed assets and investments	2,082,765	156,848
	27,809,575	45,622,561
FUNDS APPLIED DURING THE YEAR		
Additions to fixed assets	31,138,810	19,764,597
Purchase of shares of Penmans Limited	225,052	8,694,171
Purchase of minority interest in a subsidiary	—	174,437
Long term debt redeemed or due for redemption within one year	6,144,000	450,000
Other	693,710	39,185
Dividends		
Preference shares	97,804	97,804
Common shares	3,213,762	3,097,650
	41,513,138	32,317,844
INCREASE (DECREASE) IN WORKING CAPITAL	$(13,703,563)	$13,304,717
WORKING CAPITAL AT BEGINNING OF YEAR	$ 49,859,963	$36,555,246
Reserves transferred to earnings employed in the business, formerly deducted in arriving at working capital		
Fixed inventory reserve	8,645,770	—
Reserve for marketable securities	5,110,783	—
ADJUSTED WORKING CAPITAL AT BEGINNING OF YEAR	63,616,516	36,555,246
Increase (decrease) in working capital	(13,703,563)	13,304,717
WORKING CAPITAL AT END OF YEAR	$ 49,912,953	$49,859,963

Consolidated Balance Sheet as at March 31st 1966

Dominion Textile Company Limited and Canadian Subsidiaries

Assets

	1966	1965
CURRENT ASSETS		
Cash	$ 384,294	$ 439,747
Accounts receivable	26,559,426	24,387,455
Inventories — raw materials, merchandise and supplies (Note 2)	57,969,367	40,118,124
Marketable securities (Note 3)	9,469,338	4,671,106
Prepaid expenses	914,032	620,201
	95,296,457	70,236,633
INVESTMENTS AND ADVANCES — AT COST (Note 4)	3,081,841	10,749,147
FIXED ASSETS		
Land, buildings, machinery and equipment — at cost	163,628,186	126,485,602
DEFERRED CHARGES	226,404	251,379
	$262,232,888	$207,722,761

On behalf of the Board: G. B. GORDON, *Director*
F. R. DANIELS, *Director*

The accompanying notes are an integral part of the financial statements

Liabilities

CURRENT LIABILITIES	1966	1965
Bank indebtedness	$ 4,167,466	$ 1,185,823
Short term notes	19,418,000	5,792,000
Accounts payable and accrued liabilities	12,038,315	8,345,682
Dividends payable	1,312,075	1,186,825
Income and other taxes	2,798,648	3,866,340
Long term debt due within one year	5,649,000	—
	45,383,504	20,376,670
LONG TERM DEBT (Note 5)	32,000,000	37,450,000
ACCUMULATED DEPRECIATION ON FIXED ASSETS	103,503,589	89,561,018
DEFERRED INCOME TAXES (Note 6)	713,724	—
MINORITY INTEREST IN PREFERRED SHARES OF A SUBSIDIARY	693,300	—
CAPITAL AND EARNINGS EMPLOYED IN THE BUSINESS (Note 9)		
Share capital		
7% Cumulative Preference		
Authorized — 20,000 shares $100 par value		
Issued — 13,972 shares	1,397,200	1,397,200
Common		
Authorized		
1966 — 7,500,000 shares no par value		
1965 — 3,150,000 shares no par value		
Issued		
1966 — 2,595,774 shares		
1965 — 2,583,834 shares	20,278,688	19,987,795
Earnings employed in the business	58,262,883	38,950,078
	79,938,771	60,335,073
	$262,232,888	$207,722,761

Notes to Consolidated Financial Statements March 31st 1966

Dominion Textile Company Limited and Canadian Subsidiaries

Note 1

PRINCIPLES OF CONSOLIDATION

The 1966 consolidated financial statements include the accounts of all subsidiaries with the exception of the three wholly-owned foreign subsidiaries. The accounts of Penmans Limited, which was acquired in January 1965, are included in the consolidated statements for the first time. The 1965 figures have not been adjusted to include Penmans. The inclusion of the Penmans' accounts, after eliminating inter-company transactions, had the effect of increasing consolidated sales and net earnings for the year ended March 31st 1966 by $12,354,034 and $379,846 respectively.

Note 2

INVENTORIES — RAW MATERIALS, MERCHANDISE AND SUPPLIES

	1966	1965
Valued at cost or market, whichever is lower	$57,969,367	$48,763,894
Less: Fixed reserve (transferred to Earnings Employed in the Business in 1966)	—	8,645,770
	$57,969,367	$40,118,124

Note 3

MARKETABLE SECURITIES

	1966	1965
Valued at cost	$ 9,469,338	$ 9,781,889
Less: Reserve (transferred to Earnings Employed in the Business in 1966)	—	5,110,783
	$ 9,469,338	$ 4,671,106
Market value	$11,466,300	$11,210,400

Note 4

INVESTMENTS AND ADVANCES

	1966	1965
Investments in foreign subsidiaries	$ 172,360	$ 172,360
Investment in affiliated company	1,603,125	1,603,125
	1,775,485	1,775,485
Investment in Canadian subsidiary — Penmans Limited	—	8,694,171
	1,775,485	10,469,656
Other investments and advances	1,306,356	279,491
	$ 3,081,841	$10,749,147

The interest of Dominion Textile Company Limited in the net assets of the foreign subsidiary companies and the affiliated company, in which its investment amounted to $1,775,485 at March 31st 1966, aggregated $3,580,501. The equity of Dominion Textile Company Limited in the aggregate net income, before dividends, of these companies for their fiscal years ended in 1965 amounted to $3,137. Dominion Textile Company Limited received a dividend of $74,812 from the affiliated company in March 1966 and this dividend is included in consolidated net earnings for the year.

Note 5

LONG TERM DEBT

	1966	1965
Dominion Textile Company Limited		
4% Sinking Fund Debentures due August 1st 1966		
Authorized and issued $10,000,000 less redeemed	$ 5,000,000	$ 5,450,000

Notes to Consolidated Financial Statements March 31st 1966

Note 5 (Cont'd.)

	1966	1965
$5^5/_8\%$ Sinking Fund Debentures, Series A due March 31st 1988 Authorized and issued . .	32,000,000	32,000,000
Penmans Limited		
$3^1/_4\%$ First Mortgage Bonds, Series A due October 1st 1966 Authorized and issued $1,500,000 less redeemed .	649,000	—
	37,649,000	37,450,000
Less: Long term debt due within one year . . .	5,649,000	—
	$32,000,000	$37,450,000

Note 6

DEPRECIATION — INCOME TAXES

	1966	1965
Depreciation provided in accounts	$ 8,712,977	$ 7,795,688
Capital cost allowances for income tax purposes . .	10,134,648	8,561,072

In 1965 and 1966 the company has followed the practice of claiming capital cost allowances for tax purposes which exceed depreciation recorded in the accounts. In 1965, the amount of income taxes shown on the consolidated statement of income represented the taxes actually payable for the year whereas in 1966 it includes a provision for deferred income taxes as follows:

Note 6 (Cont'd.)

	1966	1965
Income taxes payable	$ 4,405,549	$ 6,100,944
Provision for deferred income taxes, due to capital cost allowances for income tax purposes exceeding depreciation provided in the accounts . .	713,724	—
Income taxes shown on consolidated statement of income	$ 5,119,273	$ 6,100,944

Income taxes for the year ended March 31st 1966 have been reduced because certain of the subsidiaries operate in designated areas and are exempt from income taxes for a period of three years.

Note 7

STATUTORY INFORMATION

Operating expenses for the year include $252,432 paid as remuneration to directors including officers who are also directors.

Note 8

ANTICIPATED CAPITAL EXPENDITURES

Capital expenditures for the year ending March 31st 1967 are estimated to be approximately $22,000,000.

Note 9

RESTRICTION UNDER TRUST DEED

The Deed of Trust and Mortgage relating to the $5^5/_8\%$ Sinking Fund Debentures, Series A due March 31st 1988 contains certain restrictions, customarily found in Deeds of this type, pertaining to the declaration or payment of dividends and the reduction of capital.

Auditors' Report

The Shareholders,
Dominion Textile Company Limited, Montreal, Que.

We have examined the accompanying consolidated balance sheet of Dominion Textile Company Limited and Canadian subsidiaries as at March 31st 1966 and the consolidated statements of income, earnings employed in the business and source and application of funds for the year ended on that date. For Dominion Textile Company Limited and those of the subsidiaries of which we are the auditors, our examination included a general review of the accounting procedures and such tests of accounting records and other supporting evidence as we considered necessary in the circumstances. With respect to the remaining subsidiaries of which we are not the auditors, we have carried out such enquiries and examinations as we considered necessary in order to accept for purposes of consolidation the reports of the other auditors.

In our opinion the above mentioned financial statements present fairly the consolidated financial position of Dominion Textile Company Limited and its Canadian subsidiaries as at March 31st 1966, the results of their operations and the source and application of funds for the year ended on that date, in accordance with generally accepted accounting principles applied on a basis consistent with that of the preceding year except for the change in accounting for income taxes, which we approve, set out in note 6 to the consolidated financial statements.

TOUCHE, ROSS, BAILEY & SMART,
Chartered Accountants.

Montreal, Que.
May 4, 1966.

Dominion Textile Company Limited

DIRECTORS

PAUL BIENVENU
*HUGH CROMBIE
*F. R. DANIELS
MARCEL FARIBAULT, LL.D.
*G. B. GORDON
*E. F. KING
*D. ROSS McMASTER, Q.C.
JACK PEMBROKE
FRANK H. SOBEY
*HARRY W. THORP
COLIN W. WEBSTER

OFFICERS

G. B. GORDON, *Chairman of the Board*
F. R. DANIELS, *President*
E. F. KING, *Executive Vice-President*
W. A. EVERSFIELD, *Vice-President — Finance*
N. E. KENRICK, *Vice-President and Comptroller*
R. H. PEROWNE, *Vice-President — Sales*
L. P. WEBSTER, *Vice-President — Administration*
A. J. WISHART, *Treasurer*
C. M. BECK, *Secretary*

** Member of Executive Committee*


Combed Percale
Tex-made
ONE SHEET · UN DRAP
COLONIAL
Tex-made
HOMESTEAD
Tex-made
ONE FITTED SHEET · UN DRAP CONTOUR
Tex-made
luxury COMBED
PERCALE
Fashions
Caldwell
Penmans
Beach Pal
ALL WEATHER
CAMPERS
TEX-MADE
COUVERTURE
THERMALE
THERMAL WEAVE VISCOSE & NYLON BLEND
72 X 90

LEFT:

Some examples of the many Tex-made, Caldwell and Penmans consumer product packages.

BELOW:

A selection from the wide variety of hang tags available to garment manufacturers for consumer identification of fabric blends, finishes and care characteristics.

Official inauguration of Richelieu Fabrics Limited at St. Jean on October 19, 1965 by the Honourable Jean Lesage, Prime Minister of Quebec.

Tex-made

Printed in Canada